

Message Text

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DRAFTED BY NEA/ PAB/ FLATEN; EB/ IFD/ ODF: MCASSE

5/23/73 EXT: 21548

APPROVED BY EB/ IFD/ ODF: REBENEDICK

NEA/ PAB - MR. LANIGEN (DRAFT)

SIA/ NE - MR. STAMBERG (DRAFT)

ASIA/ NE - MR. LANGMAID(DRAFT)

DAA/ ASIA - MR. WHITE

TREASURY - MR. GORDON

; REASURY - MR. LANGE

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R 232244 Z MAY 73

FM SECSTATE WASHDC

TO AMEMBASSY KABUL

INFO AMEMBASSY BONN

AMEMBASSY LONDON

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E. O. 11652: N/ A

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REFS: (A) KABUL 3224; (B) KABUL 3225; (C) KABUL 3329;

(D) STATE 75697; (E) KABUL 3466

1. DEPARTMENT AND AID COMMEND MISSION FOR PROMPT ACTION IN
CALLING ON AND DISCOURAGING FINMIN JALALLAR IMMEDIATELY
UPON RECEIPT OF RGA NOTES 391 AND 392. WE ARE TROUBLED
BY COMMODITY SUPPORT REQUEST BECAUSE WITH FERTILIZER
LOAN, KAJAKAI TRANSMISSION LINES, FLEXIBILITY ON SHAMALON
LOAN, AND CONSIDERATION NOW BEING GIVEN TO INCREASE OF
FERTILIZER LOAN, WE BELIEVE USG HAS STRONGLY SUPPORTED
AFGHANISTAN AND ECONOMIC POLICIES OF SHAFIQ GOVERNMENT.
FURTHERMORE, FOR FY1974 WE SEE LIKELY FUND AVAILABILITIES
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FULLY COMMITTED TO FERTILIZER ADD- ON. APART FROM THIS, AS MATTER OF WORLDWIDE USG POLICY COMMODITY ASSISTANCE FOR ESSENTIALLY BUDGET SUPPORT PURPOSES IS AVAILABLE ONLY ON HIGHLY EXCEPTIONAL BASIS AND IN EXTREMELY LIMITED INSTANCES WHERE EXTRAORDINARY ECONOMIC POLITICAL CIRCUMSTANCES PREVAIL.

2. IN DRAFTING RESPONSE TO RGA NOTE, MISSION SHOULD, AS YOU SUGGEST IN REF E, MAKE CLEAR THAT US NOT WILLING PROVIDE COMMODITY ASSISTANCE FOR GENERAL BUDGETARY SUPPORT. FORMAL REPLY SHOULD NOTE THAT THIS IS WORLDWIDE US POLICY, AND SHOULD NOT HOLD OUT HOPE FOR EITHER EXCEPTION OR ADDITIONAL USG ASSISTANCE. AT SAME TIME, IN ACCORDANCE REF E, PARA 2, MISSION CAN INFORMALLY NOTE WE REMAIN OPEN TO CONSIDERATION OF INPUTS REQUIRED TO ACHIEVE MUTUAL OBJECTIVES FOR SPECIFIC PROJECTS, CONCEIVABLY INCLUDING LOCAL CURRENCY INPUTS.

3. ONLY POSITIVE SUGGESTION WE HAVE AT THIS POINT IS THAT USG MAY BE ABLE BE HELPFUL WITH IMF ON POTENTIAL PROBLEM OF DOMESTIC DEBT CEILING. IF EXPECTED WHEAT SURPLUS (REF C) REQUIRES RGA TO BUY SUBSTANTIAL AMOUNTS OF WHEAT TO SUPPORT THE 35 AF/ SEER FLOOR PRICE OF WHEAT, TEMPORARY BORROWINGS FROM CENTRAL BANK SHOULD PROVIDE ADEQUATE FUNDS. ALTHOUGH THE IMF STANDBY RESTRICTS DOMESTIC BORROWING FROM THE CENTRAL BANK TO 1.4 BILLION AFS (PROTECT), WE THINK A REASONABLE CASE CAN BE MADE BY RGA FOR FLEXIBILITY IN THE STANDBY CEILING IN THIS CASE. WE ARE PREPARED IF NECESSARY TO SUPPORT SUCH A CASE WITH THE IMF. IMF STANDBY IS MEANT TO FOSTER GOOD ECONOMIC POLICIES, NOT FORM A RIGID BOX WHICH CANNOT RESPOND TO A SITUATION AS IT DEVELOPS. THIS DEVELOPMENT PARTICULARLY AUSPICIOUS IF WHEAT SURPLUS CAN BE EXPORTED FOR HARD CURRENCY.

4. ON DEBT QUESTION, EMBASSY CAN REITERATE TO RGA THAT WE WILLING LOOK AGAIN AT NEED FOR RESCHEDULING WHEN NEW FACTS APPEAR THAT SHOW NEED. PROJECTIONS WILL BE IMPORTANT , BUT SINCE PAST PROJECTIONS OF BALANCE OF PAYMENTS PROBLEMS HAVE FAILED TO MATERIALIZE, BELIEVE THAT MORE CONCRETE EVIDENCE OF REAL PROBLEM NEEDED FOR US TO SERIOUSLY REASSESS NEED FOR RESCHEDULING. RUSH
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